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State fixed income fund pool gets top rating

Lake Havasu City's state and local government diversified fixed income investments appear to be in good condition, after Standard and Poor's Rating Service released their rating of an Arizona State Treasury LGIP pool.

S&P gave its highest rating for stability S1+ and highest rating for credit quality AAAs to the treasury's LGIP Pool 5, where the city has most of its diversified funds, almost \$42 million.

"This means we're investing in a very high quality fund pool that is very stable and has good management," Finance Director Gayle Whittle said. "Our investments are very safe."

The city has \$68,478,177 invested overall in the state's LGIP, including \$20 million in government Pool 7 and \$889,358 in Lehman Brothers Pool 57.

The state currently has \$2.5 billion overall in the LGIP Pool 5.

S&P had never before rated a state and local government investment pool in Arizona.

State Treasurer Dean Martin said the rating marked a historic day for Arizona, stating the state received the highest rating possible in its first review.

S&P acknowledged the state pool's holdings should have extremely strong protection against losses from credit defaults, and they have shown very low sensitivity to the current economic conditions.

The AAAs rating is based upon high credit quality of more than 75 percent of the Pool 5 assets in AAA rated securities and the remaining balance in AA and A rated issuers.

S&P's S1+ rating is based upon the high degree of safety and liquidity of the pool's holdings, as well as, the weighted average maturity (WAM) of the holdings over a maximum of 120 days.

Martin indicated it is important to note the ratings do not apply to the state's debt rating, which is the overall fiscal health of the state's budget. That rating is substantially low at the moment, although he did not acknowledge what it was. Monday's ratings are only for the LGIP Pool 5.

Martin noted how impressive the rating was, considering the country's economic downturn, stating it validated all the hard work the State Treasurer's Office was doing to navigate these unprecedented hard times.

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